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15 July 1954

**MEMORANDUM OF CONVERSATION, Friday, 2 July 1954**

**SUBJECT: USIA Report**

**Participants: Lt. General Charles P. Cabell**

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1. General Cabell seemed to be in accord with the conclusions of the Report except for paragraph 4a, page 9, which deals with recommendations for CIA financing of the expanded State Department NIS program. His views on this question run as follows:

a. The present plan for CIA financing of State's NIS contribution is unwise. The proposed addition to this burden would only have the effect of compounding the wrong and making more difficult the ultimate correction which is required, namely, for the Agency to get out of such financing.

b. By the same token, reimbursement to the State Department for biographic and external research is wrong.

c. The decision of the military not to participate in CIA financing of their NIS program was a correct decision.

d. Whereas reimbursement in other Government activities may be a normal financial practice, it is unwise in the intelligence community.

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A strong, healthy intelligence system requires adequate departmental budgeting to meet departmental responsibilities, whether those be to the Department itself, or to the intelligence community, or to other users.

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e. In response to questioning by [REDACTED] General Cabell indicated that he believed in preserving the assignment of responsibilities as indicated in NSCID-3, and did not wish to see the gradual accretion of these under a single central intelligence organization, namely, CIA. He recognized that the natural trends of events in the face of departmental budgetary difficulties might well lead to CIA's undertaking certain responsibilities on its own in order to take into account such difficulties.

f. General Cabell indicated that he would be quite willing to institute at this time reconsideration of our existing policy with regard to financing of NIS/State, biographic and ERS.

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2. [REDACTED] commented that while he was appreciative of the line of reasoning taken by General Cabell, he was nonetheless faced with the responsibility to get this report concluded, and he did not care to take on problems which were fundamental to the conclusion of this survey. Accordingly, he was inclined to seek some means of proceeding with this recommendation while taking into account reconsideration of the NIS financing policy.

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